

TOWN OF FREDERICK

Financial Statements

December 31, 2008

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INDEPENDENT AUDITORS' REPORT

May 8, 2009

Honorable Mayor and Members  
of the Town Board of Trustees  
Town of Frederick, Colorado

We have audited the accompanying basic financial statements of the governmental activities and the business type activities, each major fund, and the aggregate remaining fund information of Town of Frederick (the "Town") as of and for the year ended December 31, 2008, which collectively comprise the Town's basic financial statements listed in the table of contents. These basic financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Frederick as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable and the respective budgetary comparison for the General, Street and Alley and Open Space Funds, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 16 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



America Counts on CPAs®

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements and Local Highway Finance Report are presented for purposes of additional analysis and are not a required part of the Town's basic financial statements. The combining and individual nonmajor fund financial statements and Local Highway Finance Report have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the Town's basic financial statements taken as a whole.

Respectfully submitted,

*Watkins & Schommer, Inc.*

Watkins & Schommer, Inc.  
Certified Public Accountants

**Town of Frederick  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008**

This section of the annual financial report offers readers of the Town of Frederick's (the "Town") financial statements its discussion and analysis of the Town's financial performance during the year ended December 31, 2008. We encourage readers to consider the information presented here in conjunction with additional information furnished in the Town's financial statements, which immediately follow this section.

**Background Information**

The Town was incorporated in 1907. The predominant fund approach for the Town was comprised of eleven basic funds. The General Fund, seven Special Revenue Funds, two Enterprise Funds and a Fiduciary Fund.

On November 7, 1995 the taxpayers approved a ballot question to remove the TABOR limits that were imposed on the Town in 1992. The mill levy for 2008 was set at 6.555 mills for general operations and 1.760 mills for general obligation bonds debt service.

**Financial Highlights**

- » The Town financial status improved over the course of the 2008 fiscal year. Total net assets increased 2.1 percent.
- » General revenues account of \$4,533,311 or 28.8 percent of all revenues. The Town had \$11,188,773 in program specific revenues in the form of charges for services, operating grants and contributions, and capital contributions.
- » The Town had \$6,833,050 in expenses related to governmental activities, of which \$2,059,008 were offset by program specific charges for services and operating grants and contributions. Taxes of \$3,481,158 and other general revenues of \$1,324,787 as shown on the statement of activities were adequate to provide for these programs.
- » The Town had water and electric charges for service income totaling \$8,833,092 with capital contributions totaling \$296,673. The cost of providing water and electric service totaled \$6,911,825.

**Town of Frederick  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008**

- » Outlays for capital assets were primarily comprised of park improvements, trail improvements, street infrastructure additions, and various pieces of public works equipment. See the Capital Assets section of this management's discussion and analysis for more information.
- » The Town's governmental funds have two outstanding capital leases and the 2006 sales and use tax bond totaling \$5,015,713 at December 31, 2008.
- » The Town's business-type funds have outstanding debt totaling \$1,098,274 at December 31, 2008.

**Overview of the Financial Statements**

This annual financial report consist of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Town.

- » The first two statements are government-wide financial statements that provide both short-term and long-term information about the Town's overall financial status.
- » The remaining statements are fund financial statements that focus on individual parts of the Town, reporting the Town's operations in more detail than the Town's statements.
- » The governmental funds statements tell how basic services such as general government, public safety, public works, etc., were financed in the short-term as well as what remains for future spending.
- » The proprietary funds are presented as business-type activities in the government-wide financial statements. The Town has two enterprise funds, water and electric funds.
- » Fiduciary funds statements provide information about the financial relationships in which the Town acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provides more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of the Town's budget for the year.

**Town of Frederick  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008**

Detailed in the following diagram are how the various parts of this annual report are arranged and related to one another.

**Table 1  
Organization of the Town of Frederick  
Annual Financial Report**

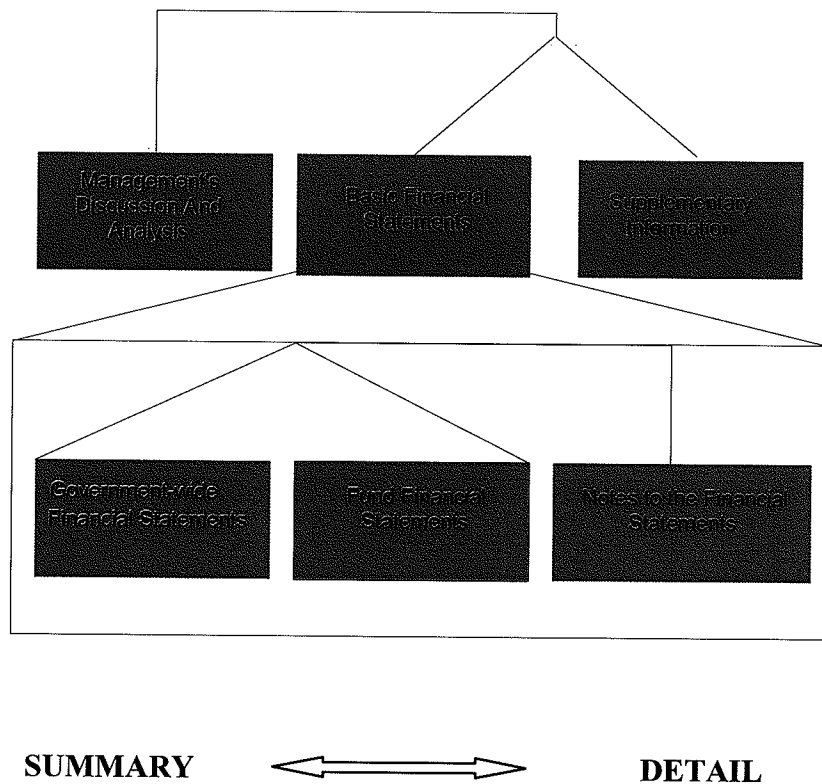


Table 2, displayed on the following page, summarizes the major features of the Town's financial statements, including the portion of the Town's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the two types of financial statements, government-wide and fund financial statements, found in the basic financial statements.



**Town of Frederick  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008**

**Table 2  
Major Features of the Town and Fund Financial Statements**

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Fund
Scope	Entire Town (except fiduciary funds)	The activities of the Town that are not proprietary or fiduciary.	Activities the Town operates similar to private businesses: water and electric services	Instances in which the Town administers resources on behalf of someone else.
Required Financial Statements	Statement of net assets  Statement of Activities	Balance Sheet  Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Assets  Statement of Revenues, Expenses and Changes in Net Assets  Statement of Cash Flows	Statement of Fiduciary Net Assets  Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

***Town Statements***

The Town statements are designed to provide readers a broad overview of the Town's finances, in a manner similar to a private-sector business. The statement of net assets includes all of the Town's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**Town of Frederick  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008**

The Town's financial statements are designed to provide readers a broad overview of the Town's finances, in a manner similar to a private-sector business. These statements provide both *short-term* and *long-term* information about the Town's *overall* financial status.

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. To assess the Town's overall health, you need to consider additional non-financial factors such as the condition of buildings and equipment.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

Both of the Town's financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*). Included in governmental activities are most of the Town's basic services such as general government, public safety, public works, etc.

The basic Town's financial statements can be found on pages 17-19 of this report.

***Fund Financial Statements***

The fund financial statements provide more detailed information about the Town's funds, focusing on its most significant or "major" funds, not the Town as a whole. Funds are accounting devices the Town uses to keep track of specific sources of funding and spending on particular programs. The Town funds are divided into three categories: governmental funds, business-type funds, and fiduciary funds.

- » *Governmental funds*: Most of the Town's basic services are included in governmental funds, which generally focus on (1) inflows and outflows of cash and other financial assets and (2) balances remaining at year-end which are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine financial resources that may be available in the near term to finance the Town's programs. This information does not encompass the long-term focus of the Town's statements, therefore a reconciling schedule is included on the governmental funds statements explaining the relationship (or difference) between them.

**Town of Frederick  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008**

The basic governmental fund financial statements can be found on pages 20-26 of this report.

- » *Proprietary funds:* The Town of Frederick maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Frederick uses enterprise funds to account for its water and electric operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water and electric operations, all of which are considered to be major funds of the Town of Frederick.

The basic proprietary fund financial statements can be found on pages 27-30 of this report.

- » *Fiduciary funds:* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Town is responsible for ensuring the assets reported in these funds are used only for the intended purposes and by those to whom the assets belong. The Town excludes these activities from the Town's financial statements because it cannot use these assets to finance its operations.

The Town currently has one fiduciary fund, the oil royalty fund. The fund is used to account for the payment of scholarships and donations.

The basic fiduciary fund statements can be found on pages 31-32 of this report.

***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the Town and fund financial statements. The notes to the financial statements can be found on pages 33-46 of this report.

***Other Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain *other supplementary information*. This includes the required supplemental data required for non-major fund information and budgetary comparison schedules.

**Town of Frederick  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008**

**Financial Analysis of the District as a Whole**

*Net Assets and Changes in Net Assets*

The Town's *combined* net assets were larger on December 31, 2008, than they were the year before, increasing 2.1 percent to \$93,957,776. Table 3 provides a summary of the Town's net assets at December 31, 2008.

**Table 3  
Condensed Statement of Net Assets**

	<b>2008</b>			<b>December 31, 2007 Totals</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>Assets</b>				
Current Assets	7,836,833	11,691,257	19,528,090	18,448,550
Restricted Assets	849,685	2,528,510	3,378,195	4,273,521
Capital Assets, net	<u>33,122,781</u>	<u>46,908,166</u>	<u>80,030,947</u>	<u>78,824,713</u>
<b>Total Assets</b>	<u>41,809,299</u>	<u>61,127,933</u>	<u>102,937,232</u>	<u>101,546,784</u>
<b>Liabilities</b>				
Current Liabilities	1,953,932	1,179,203	3,133,135	3,284,707
Long-Term Liabilities	<u>4,807,871</u>	<u>1,038,450</u>	<u>5,846,321</u>	<u>6,281,510</u>
<b>Total Liabilities</b>	<u>6,761,803</u>	<u>2,217,653</u>	<u>8,979,456</u>	<u>9,566,217</u>
<b>Net Assets</b>				
Invested in Capital				
Net of Related Debt	28,107,069	45,809,892	73,916,961	72,543,203
Restricted	173,520	-	173,520	298,481
Unrestricted	<u>6,766,907</u>	<u>13,100,388</u>	<u>19,867,295</u>	<u>19,138,883</u>
<b>Total Net Assets at December 31,</b>	<u>35,047,496</u>	<u>58,910,280</u>	<u>93,957,776</u>	<u>91,980,567</u>

**Town of Frederick**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2008**

Table 4 provides a summary of the changes in net assets. Following Table 4 is specific discussion related to overall revenues and expenses.

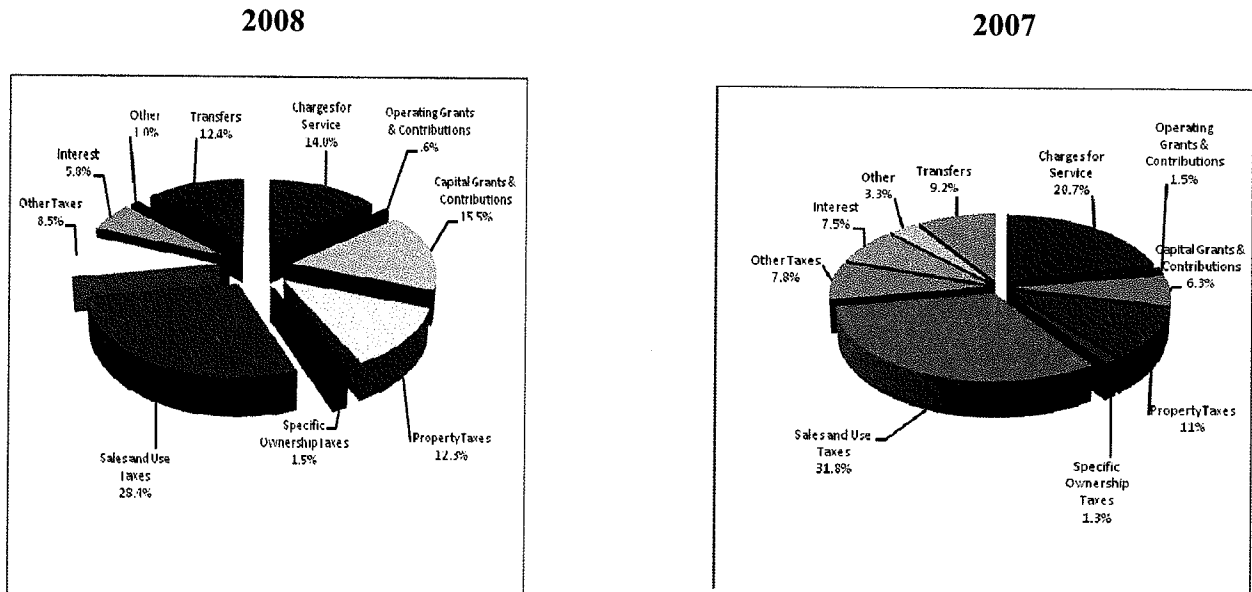
**Table 4**  
**Changes in Net Assets from Operating Results**

	2008			2007
	Governmental	Business -Type	Total	Totals
	Activities	Activities		
<b>Revenues</b>				
Program Revenues				
Charges for Services	959,364	8,833,092	9,792,456	9,357,708
Operating Grants & Contributions	37,900	-	37,900	100,719
Capital Grants & Contributions	1,061,744	296,673	1,358,417	1,223,231
General Revenues				
Property Taxes	845,652	232,438	1,078,090	929,467
Specific Ownership Taxes	101,223	-	101,223	93,135
Sales & Use Taxes	1,951,826	-	1,951,826	2,209,657
Other Taxes	582,457	-	582,457	542,332
Interest	400,004	311,794	711,798	1,203,480
Other	67,335	-	67,335	227,898
Transfers	861,866	(861,866)	-	-
Gain (Loss) on Sale of Capital Assets	(4,418)	45,000	40,582	-
<b>Total Revenues</b>	<b>6,864,953</b>	<b>8,857,131</b>	<b>15,722,084</b>	<b>15,887,627</b>
<b>Expenses</b>				
General Government	2,065,471	-	2,065,471	2,208,711
Public Safety	1,554,003	-	1,554,003	1,611,643
Public Works	2,690,665	-	2,690,665	2,581,629
Parks	288,182	-	288,182	247,687
Interest on Long-Term Debt	222,670	-	222,670	220,598
Amortization	12,059	-	12,059	4,998
Water	-	962,669	962,669	1,103,178
Electric	-	5,949,156	5,949,156	5,425,109
<b>Total Expenses</b>	<b>6,833,050</b>	<b>6,911,825</b>	<b>13,744,875</b>	<b>13,403,553</b>
<b>Increase in Net Assets</b>	<b>31,903</b>	<b>1,945,306</b>	<b>1,977,209</b>	<b>2,484,074</b>

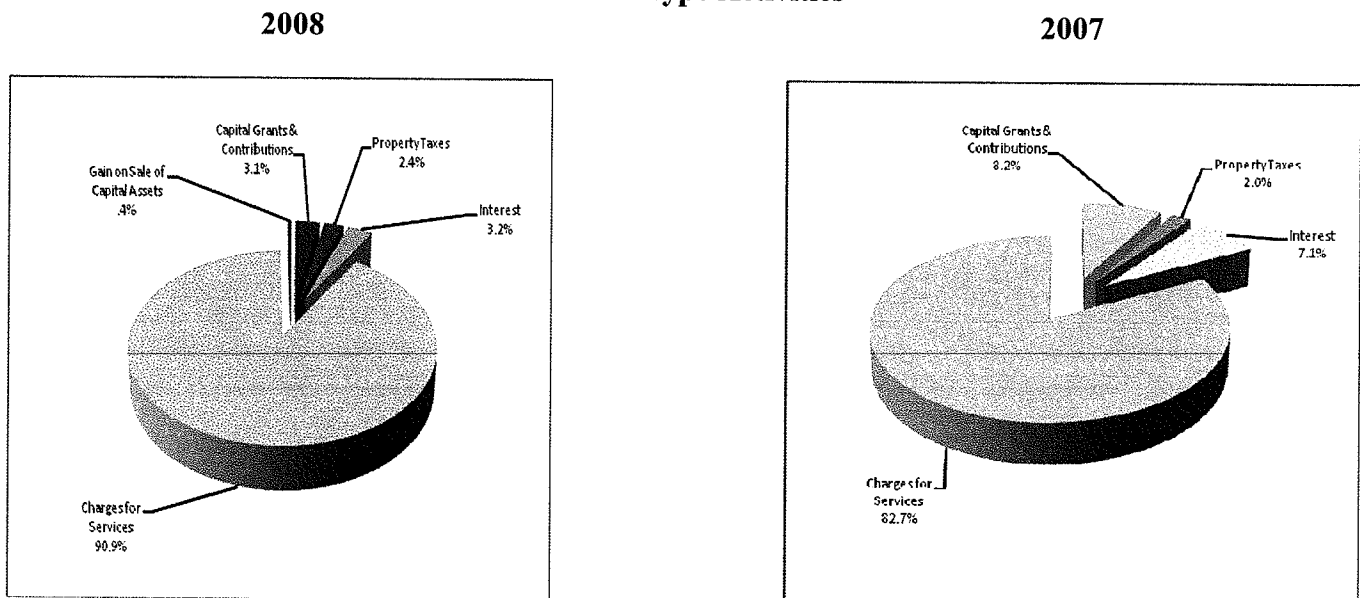
**Town of Frederick  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008**

Detailed below in Tables 5 and 6 are charts displaying revenues by sources and expenses by program for the total Town.

**Table 5  
Sources of Revenues for Fiscal Year  
Governmental Activities**



**Table 6  
Sources of Revenues for Fiscal Year  
Business-Type Activities**

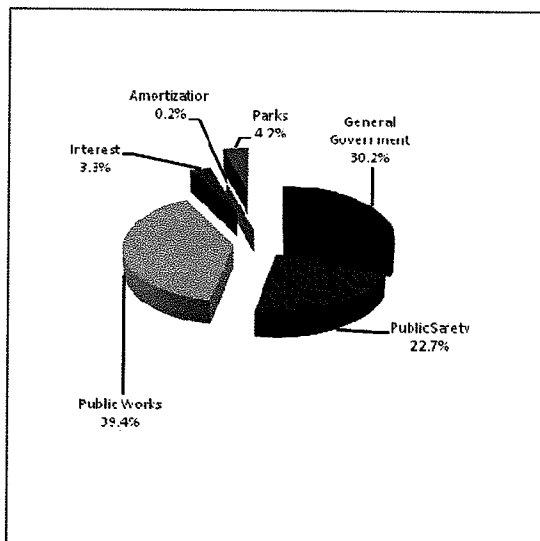


**Town of Frederick  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008**

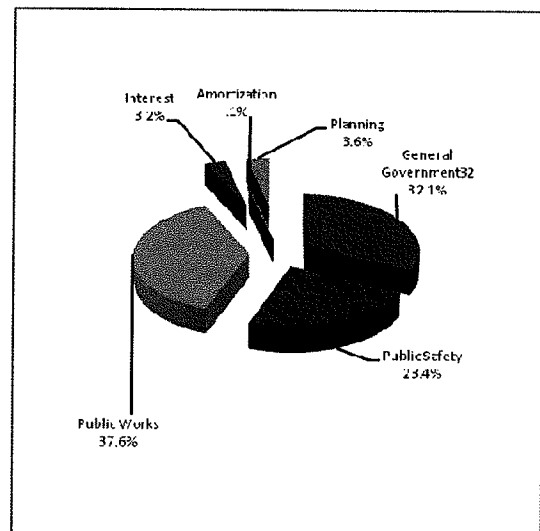
Detailed below in Tables 5 and 6 are charts displaying revenues by sources and expenses by program for the total Town.

**Table 7  
Expense for Fiscal Year  
Governmental Activities**

**2008**

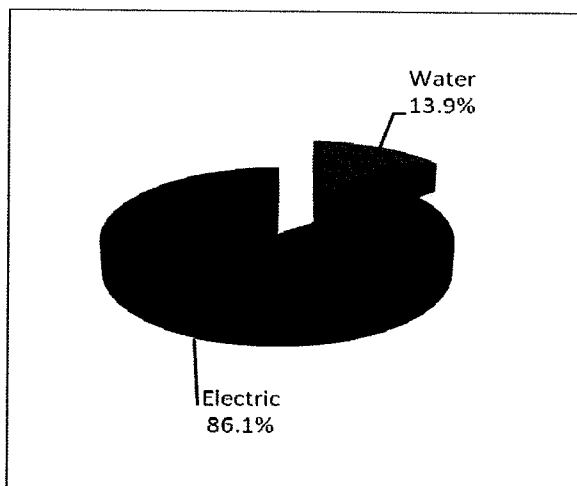


**2007**

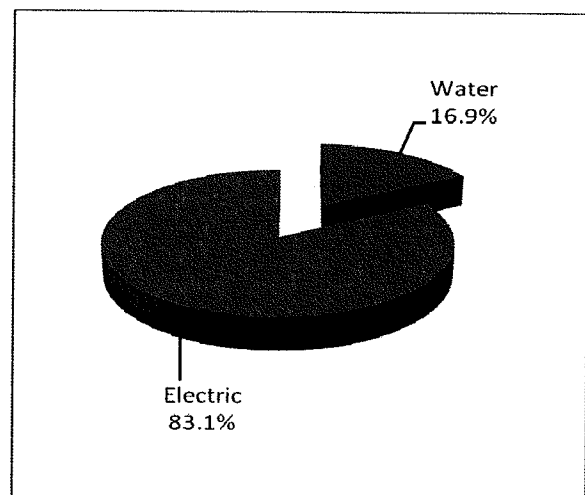


**Table 8  
Expense for Fiscal Year  
Business-Type Activities**

**2008**



**2007**



**Town of Frederick  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008**

***Governmental Activities***

The decrease in net assets for governmental activities was \$518,764 in the 2008.

The governmental funds monitor cash resources and expenditures. Capital outlay within these funds amounted to \$2,558,585 during 2008. This significant expenditure is not considered an expense on the government-wide statement of activities. Rather, these costs are expensed over time as depreciation expense.

As reflected on the reconciliation of governmental funds revenues and expenditures to the government-wide statement of activities page 23, the net difference between capital outlays and depreciation expenses was \$599,332 for 2008.

The statement of activities shows the cost of program services and the related charges for services and grant offsetting those costs. Table 9 reflects each program's total cost and net cost of services. That is, it identifies the cost of these services supported by unrestricted property taxes.

**Table 9  
Net Cost of Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General Government	2,065,471	2,065,471
Public Safety	1,554,003	1,464,245
Public Works	2,690,665	863,335
Planning/Development	288,182	146,262
Interest on Long-Term Debt	222,670	222,670
Amortization	<u>12,059</u>	<u>12,059</u>
Total	<u>6,833,050</u>	<u>4,774,042</u>



**Town of Frederick  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008**

**Financial Analysis of Town Funds**

***General Fund***

The general fund was established and is continually funded to provide for the daily activities, salaries, expenses, and operating costs of the Town. This fund provides for functional areas of the organization - general government, public safety, public works, etc. The primary funding source for the general fund is sales tax revenue, impact fees, unrestricted grants and charges for services provided.

***General Fund Budgetary Highlights***

The Town's budget is prepared according to Colorado law and is based on accounting for certain transaction on a basis of cash receipts and disbursements. The Town's budget for the general fund anticipated that expenditures would exceed revenues by \$409,158. The actual results for the year show revenues exceeding expenditures by \$267,932.

It should be noted that the Town's budget format is designed to establish and monitor divisional functions of the Towns operations to more closely align expenses with the areas of responsibility. These divisions are set up as cost centers for accountability in each of the following areas:

- General Government
- Public Safety
- Public Works

- » The Town must maintain a 3% emergency reserve as a part of the TABOR Amendment (Taxpayer Bill of Rights). At December 31, 2008, the Town's TABOR reserve amounted to \$173,520.

***Proprietary Funds***

The Town's proprietary funds provide the same type of information found in the government-wide statements, but in more detail.

**Town of Frederick  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008**

**Capital Assets and Debt Administration**

***Capital Assets***

By the end of 2008, the Town had invested \$80,030,947 in a broad range of capital assets, including land, buildings, site improvements, vehicles and other equipment (See Table 10). This amount represents a net increase of \$1,206,234 or 1.5 percent from last year. Additional information on the Town's capital assets can be found in Note 4 to the financial statements. Total depreciation expense for the year was \$1,959,253 in the Governmental Activities and \$424,685 in the Business-Type Activities.

**Table 10  
Capital Assets (Net of Depreciation)**

	Governmental Activities		Business-Type Activities	
	2008	2007	2008	2007
Land, Water Shares and System Enhancement Fees	2,584,217	2,584,217	34,007,548	33,987,548
Construction in Progress	-	-	156,270	84,000
Buildings	2,673,455	2,740,003	94,673	98,424
Improvements Other Than Buildings	5,263,482	4,937,432	-	-
Streets and Improvements	21,231,038	20,995,787	-	-
Utility Systems	-	-	12,555,268	12,027,462
Equipment	<u>1,370,589</u>	<u>1,275,105</u>	<u>94,407</u>	<u>94,735</u>
Total	<u>33,122,781</u>	<u>32,532,544</u>	<u>46,908,166</u>	<u>46,292,169</u>

***Long-Term Debt***

At year end the Town's governmental funds had two outstanding capital leases and the 2006 Sales and Use Tax Bond outstanding which totaled \$5,015,713 at December 31, 2008.

The Town's business-type funds have outstanding debt totaling \$1,098,274 at December 31, 2008.

During 2008, the Town entered into one new capital lease. Colorado Revised Statute 31-15-302(1)(d)(II) states that a municipality's total amount of indebtedness for all purposes shall not at any time exceed three (3%) of actual value, except for such debt as may be incurred in supplying water. The Town's outstanding debt is below this limit.

**Town of Frederick  
Management's Discussion and Analysis  
For the Year Ended December 31, 2008**

**Fiduciary Fund Activities**

***Oil Royalty Trust Fund***

The fund received \$97,029 of oil royalties and other revenue of \$30,756 and paid out \$21,715 in scholarships and support of other community organizations. The fund balance at December 31, 2008, is \$988,656.

**Factors Bearing on the Town's Future**

At the time these financial statements were prepared and audited, the Town was aware of the following circumstances that could significantly affect its financial health in the future:

The Town's budget for 2009 budgets a General Property Tax revenue of \$1,279,173 (based on an assessed valuation for the Town, of \$156,684,520 and a mill levy of 8.164 mills).

**Contacting the Town's Financial Management**

This financial report is designed to provide the Town's citizens, taxpayers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town of Frederick at, 401 Locust Street, Frederick, Colorado 80530-0435

## **BASIC FINANCIAL STATEMENTS**

TOWN OF FREDERICK  
Statement of Net Assets  
December 31, 2008

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Pooled Cash and Investments	6,450,761	10,664,791	17,115,552
Receivables	1,200,874	989,041	2,189,915
Other Assets	57,306	37,425	94,731
Deferred Charges	127,892	-	127,892
Restricted Assets:			
Pooled Cash and Investments	849,685	2,528,510	3,378,195
Capital Assets (Net of Accumulated Depreciation):			
Land, Water Shares and System Enhancement Fee	2,584,217	34,007,548	36,591,765
Construction in Progress	-	156,270	156,270
Building	2,673,455	94,673	2,768,128
Improvements Other Than Buildings	5,263,482	-	5,263,482
Streets and Improvements	21,231,038	-	21,231,038
Utility Systems	-	12,555,268	12,555,268
Equipment	1,370,589	94,407	1,464,996
<u>Total Assets</u>	<u>41,809,299</u>	<u>61,127,933</u>	<u>102,937,232</u>
<u>LIABILITIES</u>			
Accounts Payable and Other Current Liabilities	515,180	761,577	1,276,757
Accrued Interest Payable	9,117	4,667	13,784
Accrued Compensated Absences	218,385	-	218,385
Customer Deposits	-	77,370	77,370
Unearned Revenue	1,003,408	275,765	1,279,173
Noncurrent Liabilities:			
Due Within One Year	207,842	59,824	267,666
Due in More Than One Year	4,807,871	1,038,450	5,846,321
<u>Total Liabilities</u>	<u>6,761,803</u>	<u>2,217,653</u>	<u>8,979,456</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	28,107,068	45,809,892	73,916,960
Restricted for:			
TABOR Emergency Reserve	173,520	-	173,520
Unrestricted			
Board Designated for Art Projects	106,131	-	106,131
Undesignated	6,660,777	13,100,388	19,761,165
<u>Total Net Assets</u>	<u>35,047,496</u>	<u>58,910,280</u>	<u>93,957,776</u>

The accompanying notes are an integral part of these financial statement.

Exhibit 1

Net (Expenses) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(2,065,471)	-	(2,065,471)
(1,464,245)	-	(1,464,245)
(863,335)	-	(863,335)
(146,262)	-	(146,262)
(222,670)	-	(222,670)
(12,059)	-	(12,059)
<u>(4,774,042)</u>	<u>-</u>	<u>(4,774,042)</u>
-	848,903	848,903
-	1,369,037	1,369,037
<u>-</u>	<u>2,217,940</u>	<u>2,217,940</u>
<u>(4,774,042)</u>	<u>2,217,940</u>	<u>(2,556,102)</u>
845,652	-	845,652
-	232,438	232,438
101,223	-	101,223
1,951,826	-	1,951,826
582,457	-	582,457
400,004	311,794	711,798
67,335	-	67,335
861,866	(861,866)	-
(4,418)	45,000	40,582
<u>4,805,945</u>	<u>(272,634)</u>	<u>4,533,311</u>
31,903	1,945,306	1,977,209
<u>35,015,593</u>	<u>56,964,974</u>	<u>91,980,567</u>
<u>35,047,496</u>	<u>58,910,280</u>	<u>93,957,776</u>

TOWN OF FREDERICK  
Reconciliation of the Governmental Funds  
Balance Sheet With the Statement of Net Assets  
December 31, 2008

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
2,091,020	6,378,123
-	72,638
-	849,685
301	1,200,874
-	4,986
2,091,321	8,506,306
3,113	299,053
-	216,127
-	1,003,408
3,113	1,518,588
173,520	173,520
106,131	106,131
-	518,764
1,808,557	6,189,303
2,088,208	6,987,718
2,091,321	8,506,306

Amounts reported for governmental activities in the statement of net assets are different because:

Total Fund Balance - Governmental Funds 6,987,718

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

The cost of capital assets is 46,410,903  
Accumulated depreciation is (13,288,122) 33,122,781

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.  
Long-term liabilities at year-end consist of:

Bonds Payable 4,720,000  
Capital Lease Payable 295,713  
Accrued Interest Payable 9,117  
Accrued Compensated Absences 218,385 (5,243,215)

Bond issue costs being amortized on the Government-wide financial statements and were written off in the year the bond was issued on the Fund financial statements. 127,892

Prepaid insurance reflected on the Government-wide Statement of Net Assets and was expensed in the year paid on the Fund Financial Statements. 52,320

Total Net Assets - Governmental Activities 35,047,496

TOWN OF FREDERICK  
Reconciliation of the Governmental Funds Statement of  
Revenues, Expenditures, and Changes in Fund Balances  
with the District-wide Statement of Activities  
Year Ended December 31, 2008

Other Governmental Funds	Total Governmental Funds
137,500	3,433,959
-	527,956
37,900	932,204
43,856	133,614
53,737	400,004
75,070	512,433
15,484	67,336
<u>363,547</u>	<u>6,007,506</u>
-	1,997,506
-	1,476,743
67,307	884,012
-	288,182
31,428	268,069
3,270	222,255
<u>418,230</u>	<u>2,558,585</u>
<u>520,235</u>	<u>7,695,352</u>
<u>(156,688)</u>	<u>(1,687,846)</u>
43,077	1,381,464
-	4,677
-	302,540
<u>(54,800)</u>	<u>(519,598)</u>
<u>(11,723)</u>	<u>1,169,083</u>
<u>(168,411)</u>	<u>(518,763)</u>
<u>2,256,619</u>	<u>7,506,481</u>
<u>2,088,208</u>	<u>6,987,718</u>

Amounts reported for governmental activities in the statement of activities are different because:

Total net change in fund balance - governmental funds.

(518,763)

Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which capital outlay exceeds depreciation in the current period.

Depreciation Expense (1,959,253)  
Capital Outlay 2,558,585

599,332

Amortization of bond issue costs over the life of the debt is an expense on the Statement of Activities and was expensed in the year paid on the Fund Financial Statements

(12,059)

Increase in accrued interest payable reflected as an expense on the Government-wide Statement of Activities and not shown on the Statement of Revenues, Expenditures and Changes in Fund Balances.

(415)

Insurance premium expensed in the year paid on the Fund Financial Statements and amortized over the life of the premium on the Government-wide Statement of Activities.

13,633

Increase in accrued compensated absences payable are reflected as an expense on the Statement of Activities and not reflected as an expense on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances.

(6,258)

Repayment of capital lease principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.

268,069

Proceeds from capital lease shown as an other financing source on the Statement of Revenues, Expenditures and Changes in Fund Balances and not reflected on the Statement of Activities

(302,540)

Proceeds from sale of capital assets shown as an other financing source but is reduced by the cost of the capital assets to calculated the loss on sale of capital assets on the statement of activities.

(9,096)

Change in net assets of Governmental Activities

31,903



Street and Alley Fund

<u>Budgeted Amounts</u>		<u>Actual Amounts Budget Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Original</u>	<u>Final</u>		
1,106,350	1,106,350	786,180	(320,170)
-	-	-	-
410,265	410,265	818,562	408,297
-	-	-	-
150,000	150,000	64,998	(85,002)
1,520,000	1,520,000	420,254	(1,099,746)
<u>3,186,615</u>	<u>3,186,615</u>	<u>2,089,994</u>	<u>(1,096,621)</u>
-	-	-	-
40,000	40,000	-	40,000
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
350,000	350,000	168,165	181,835
-	-	-	-
288,000	288,000	236,947	51,053
2,512,000	2,512,000	1,990,129	521,871
237,000	237,000	236,641	359
221,850	221,850	218,985	2,865
3,194,560	3,194,560	-	3,194,560
<u>6,843,410</u>	<u>6,843,410</u>	<u>2,850,867</u>	<u>3,992,543</u>
<u>(3,656,795)</u>	<u>(3,656,795)</u>	<u>(760,873)</u>	<u>2,895,922</u>
-	-	-	-
-	-	-	-
330,000	330,000	302,540	(27,460)
(459,855)	(459,855)	(463,459)	(3,604)
<u>(129,855)</u>	<u>(129,855)</u>	<u>(160,919)</u>	<u>(31,064)</u>
<u>(3,786,650)</u>	<u>(3,786,650)</u>	<u>(921,792)</u>	<u>2,864,858</u>
		<u>2,794,642</u>	
		<u>1,872,850</u>	

Exhibit 5 (Continued)

TOWN OF FREDERICK  
Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Budget and Actual - General, Street and Alley, and Open Space Funds  
Year Ended December 31, 2008

	Open Space Fund			Variance with
	Budgeted Amounts			Final Budget
	Original	Final	Actual	Positive (Negative)
<u>Revenues</u>				
Taxes	474,000	474,000	390,364	(83,636)
Open Space Fees	55,000	55,000	27,500	(27,500)
Intergovernmental	100,000	100,000	75,742	(24,258)
Investment Earnings	125,000	125,000	57,640	(67,360)
<u>Total Revenues</u>	<u>754,000</u>	<u>754,000</u>	<u>551,246</u>	<u>(202,754)</u>
<u>Expenditures</u>				
Repairs & Maintenance	75,850	75,850	96,173	(20,323)
Capital Outlay				
Park Improvements	900,000	900,000	150,226	749,774
Contingency	2,102,350	2,102,350	-	2,102,350
<u>Total Expenditures</u>	<u>3,078,200</u>	<u>3,078,200</u>	<u>246,399</u>	<u>2,831,801</u>
<u>Excess (Deficiency) of Revenues</u> <u>Over Expenditures</u>	<u>(2,324,200)</u>	<u>(2,324,200)</u>	<u>304,847</u>	<u>(2,629,047)</u>
<u>Other Financing Sources (Uses)</u>				
Transfer Out	(4,000)	(4,000)	(1,339)	(2,661)
<u>Excess (Deficiency) of Revenues</u> <u>Over Expenditures and Other Uses</u>	<u>(2,328,200)</u>	<u>(2,328,200)</u>	<u>303,508</u>	<u>(2,631,708)</u>
<u>Fund Balance at Beginning of Period</u>			<u>2,204,388</u>	
<u>Fund Balance at End of Period</u>			<u>2,507,896</u>	

TOWN OF FREDERICK  
Statement of Net Assets  
Proprietary Funds  
December 31, 2008

	<u>Water</u>	<u>Electric</u>	<u>Totals</u>
<u>ASSETS</u>			
<u>Current Assets</u>			
Pooled Cash and Investments	5,021,061	5,643,730	10,664,791
Receivables	391,642	597,399	989,041
Deposit	37,425	-	37,425
<u>Total Current Assets</u>	<u>5,450,128</u>	<u>6,241,129</u>	<u>11,691,257</u>
<u>Noncurrent Assets</u>			
Restricted Pooled Cash and Investments	1,875,956	652,554	2,528,510
Capital Assets			
Land	8,000	17,000	25,000
Water Shares	32,963,548	-	32,963,548
System Enhancement Fee	1,019,000	-	1,019,000
Construction in Progress	156,270	-	156,270
Building	48,000	102,000	150,000
Utility System	11,324,754	4,980,580	16,305,334
Equipment	171,906	-	171,906
Less Accumulated Depreciation	(2,578,988)	(1,303,904)	(3,882,892)
Total Capital Assets (Net of Accumulated Depreciation)	<u>43,112,490</u>	<u>3,795,676</u>	<u>46,908,166</u>
<u>Total Noncurrent Assets</u>	<u>44,988,446</u>	<u>4,448,230</u>	<u>49,436,676</u>
<u>Total Assets</u>	<u>50,438,574</u>	<u>10,689,359</u>	<u>61,127,933</u>
<u>LIABILITIES</u>			
<u>Current Liabilities</u>			
Accounts Payable	282,574	479,003	761,577
Accrued Interest Payable	4,667	-	4,667
Customer Deposits	77,370	-	77,370
Deferred Revenue	275,765	-	275,765
Current Portion of Long-Term Debt	59,824	-	59,824
<u>Total Current Liabilities</u>	<u>700,200</u>	<u>479,003</u>	<u>1,179,203</u>
<u>Noncurrent Liabilities</u>			
Loan Payable	1,038,450	-	1,038,450
<u>Total Liabilities</u>	<u>1,738,650</u>	<u>479,003</u>	<u>2,217,653</u>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	42,014,216	3,795,676	45,809,892
Unrestricted	6,685,708	6,414,680	13,100,388
<u>Total Net Assets</u>	<u>48,699,924</u>	<u>10,210,356</u>	<u>58,910,280</u>

The accompanying notes are and integral part of these financial statements.

Exhibit 6

TOWN OF FREDERICK  
Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Funds  
Year Ended December 31, 2008

	<u>Water</u>	<u>Electric</u>	<u>Totals</u>
<u>Operating Revenues</u>			
Charges for Services	1,554,706	7,218,548	8,773,254
Miscellaneous	21,916	37,922	59,838
<u>Total Operating Revenues</u>	<u>1,576,622</u>	<u>7,256,470</u>	<u>8,833,092</u>
<u>Operating Expenses</u>			
Administration	15,031	2,655	17,686
Operations	608,041	5,798,375	6,406,416
Depreciation	276,559	148,126	424,685
<u>Total Operating Expenses</u>	<u>899,631</u>	<u>5,949,156</u>	<u>6,848,787</u>
<u>Operating Income</u>	<u>676,991</u>	<u>1,307,314</u>	<u>1,984,305</u>
<u>Nonoperating Revenues (Expenses)</u>			
Property Taxes	232,438	-	232,438
Investment Earnings	168,539	143,255	311,794
Gain on Sale of Capital Assets	-	45,000	45,000
County Treasurer Fees	(2,325)	-	(2,325)
Interest Expense	(60,713)	-	(60,713)
<u>Total Nonoperating Revenues (Expenses)</u>	<u>337,939</u>	<u>188,255</u>	<u>526,194</u>
<u>Income Before Contributions and Transfers</u>	<u>1,014,930</u>	<u>1,495,569</u>	<u>2,510,499</u>
Capital Contributions	234,950	61,723	296,673
Transfers In	-	56,250	56,250
Transfers Out	(493,995)	(424,121)	(918,116)
<u>Change in Net Assets</u>	<u>755,885</u>	<u>1,189,421</u>	<u>1,945,306</u>
<u>Net Assets</u>			
Beginning of the Period	47,944,039	9,020,935	56,964,974
End of the Period	<u>48,699,924</u>	<u>10,210,356</u>	<u>58,910,280</u>

The accompanying notes are an integral part of these financial statements.

Exhibit 7

TOWN OF FREDERICK  
Statement of Cash Flows  
Proprietary Funds  
Year Ended December 31, 2008

	<u>Water</u>	<u>Electric</u>	<u>Totals</u>
<u>Cash Flows From Operating Activities</u>			
Cash Received from Customers	1,589,179	7,657,762	9,246,941
Cash Payments to Suppliers for Goods and Services	(607,372)	(6,253,637)	(6,861,009)
<u>Net Cash Provided by Operating Activities</u>	<u>981,807</u>	<u>1,404,125</u>	<u>2,385,932</u>
<u>Cash Flow From Noncapital Financing Activities</u>			
Property Taxes	232,438	-	232,438
Nonoperating Expenses	(2,325)	-	(2,325)
Operating Transfer In	-	56,250	56,250
Operating Transfer Out	(493,995)	(424,121)	(918,116)
<u>Net Cash Flow Provided (Used) by Noncapital Financing Activities</u>	<u>(263,882)</u>	<u>(367,871)</u>	<u>(631,753)</u>
<u>Cash Flows From Capital and Related Financing Activities</u>			
Proceeds From Sale of Capital Assets	-	45,000	45,000
Contributed Capital	74,300	61,723	136,023
Principal Paid on Debt	(201,994)	-	(201,994)
Interest Paid on Debt	(55,958)	-	(55,958)
Change in Restricted Cash	38,301	386,811	425,112
Acquisition of Capital Assets	(485,274)	(394,758)	(880,032)
<u>Total Cash Provided (Used) by Capital and Related Financing Activities</u>	<u>(630,625)</u>	<u>98,776</u>	<u>(531,849)</u>
<u>Cash Flows From Investing Activities</u>			
Investment Earnings	168,539	143,255	311,794
<u>Net Cash Flow Provided by Investing Activities</u>	<u>168,539</u>	<u>143,255</u>	<u>311,794</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	<u>255,839</u>	<u>1,278,285</u>	<u>1,534,124</u>
<u>Cash and Cash Equivalents at the Beginning of Period</u>	<u>4,765,222</u>	<u>4,365,445</u>	<u>9,130,667</u>
<u>Cash and Cash Equivalents at the End of Period</u>	<u>5,021,061</u>	<u>5,643,730</u>	<u>10,664,791</u>

The accompanying notes are and integral part of these financial statements.

Exhibit 8

TOWN OF FREDERICK  
Reconciliation of Operating Income to  
Net Cash Used by Operating Activities  
Year Ended December 31, 2008

	<u>Water</u>	<u>Electric</u>	<u>Totals</u>
<u>Reconciliation of Operating Income to Net Cash</u> <u>Provided by Operating Activities</u>			
Operating Income	676,991	1,307,314	1,984,305
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:			
Depreciation	276,559	148,126	424,685
(Increase) Decrease in Assets:			
Receivables	12,557	401,292	413,849
Deposits	(37,425)	-	(37,425)
Increase (Decrease) in Liabilities:			
Accounts Payable	5,822	(452,607)	(446,785)
Accrued Interest Payable	(698)	-	(698)
Customer Deposits	5,045	-	5,045
Deferred Revenue	42,956	-	42,956
<u>Net Cash Provided by Operating Activities</u>	<u>981,807</u>	<u>1,404,125</u>	<u>2,385,932</u>
Interest Paid on a Cash Basis	<u>55,958</u>	<u>-</u>	<u>55,958</u>

Non-Cash Investing, Capital and Financing Activities

Water Fund

The noncash financing activities represents the amortization of bond issuance costs and discounts in the amount of \$4,755 and the contribution from developers of water rights and lines in the amount of \$160,650.

Electric Fund

The Electric Fund had no noncash financing activities during 2008.

The accompanying notes are and integral part of these financial statements.

TOWN OF FREDERICK  
Statement of Fiduciary Net Assets  
Oil Royalty Trust Fund  
December 31, 2008

ASSETS

Pooled Cash and Investments	904,512
Restricted Pooled Cash and Investments	79,814
Accounts Receivable	<u>4,330</u>
<u>Total Assets</u>	988,656

LIABILITY

<u>Liability</u>	<u>-</u>
------------------	----------

NET ASSETS

<u>Net Assets</u>	<u><u>988,656</u></u>
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The accompanying notes are an integral part of these financial statements.

Exhibit 10

TOWN OF FREDERICK  
Statement of Changes in Fiduciary Net Assets  
Oil Royalty Trust Fund  
Year Ended December 31, 2008

<u>Additions</u>	
Oil Royalties	97,029
Use Permits	2,000
Severance Tax	6,108
Earnings on Investments	22,648
<u>Total Additions</u>	<u>127,785</u>
<u>Deductions</u>	
Scholarships	6,000
Donations	15,715
<u>Total Deductions</u>	<u>21,715</u>
<u>Change in Net Assets</u>	<u>106,070</u>
<u>Net Assets at Beginning of Period</u>	<u>882,586</u>
<u>Net Assets at End of Period</u>	<u>988,656</u>

The accompanying notes are an integral part of these financial statements.

Exhibit 11



TOWN OF FREDERICK  
Notes to Financial Statements  
December 31, 2008

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

In conformance with Governmental Accounting and Financial Reporting Standards, Town of Frederick, Colorado, is the reporting entity for financial reporting purposes. The Town is the primary government financially accountable for all activities of the Town of Frederick. The Town meets the criteria of a primary government: its Town Board of Trustees is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent. The Town is not included in any other governmental reporting entity.

The determination to include separate governmental entities is based on the criteria of Governmental Accounting Standards Board (GASB) Statement-14. GASB Statement-14 defines the reporting entity as the primary government and those component units for which primary government is financially accountable. To be financially accountable, a voting majority of the component unit's board must be appointed by the primary government, and either A) the primary government must be able to impose its will, or B) the primary government may potentially benefit financially or be financially responsible for the component unit.

The financial statements of the Town of Frederick do not include any separately administered organizations as there were none as defined in the aforementioned paragraph.

Joint Ventures

The Town of Frederick participates in joint ventures created for special purposes which are not part of the Town of Frederick reporting entity. Additional information regarding the Town of Frederick participation in the joint ventures is provided in Note 7. The following are the joint ventures in which the Town of Frederick participates:

Weld 911 Emergency Telephone Service Authority Board - The Town of Frederick is one of 49 local governments which are members of the Weld 911 Emergency Telephone Service Authority Board (Weld 911). Weld 911 is an organization created by intergovernmental agreement in 1988 solely to provide for the operation of the 911 emergency telephone service program. Weld 911 is governed by a seven member board selected as defined in Article III of the agreement. The governing board is autonomous as to budgeting and fiscal matter.

Fund Accounting

The Town uses funds to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked funds (special revenue funds), and the servicing of general long-term debt.

The following are the Town's major and nonmajor governmental funds:

General Fund - The General Fund (a major fund) is the Town's general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include local property taxes, sales tax, franchise and other intergovernmental revenues.

TOWN OF FREDERICK  
Notes to Financial Statements  
December 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Expenditures include all costs associated with the daily operation of general government, public safety, public works, parks and recreation and community development.

Street and Alley Fund - This major fund is a special revenue fund type which is funded by developer contributions, highway users tax, impact fees, sales and use taxes, specific ownership taxes and other miscellaneous sources of revenues. The expenditures represent operating expense and cost of street construction and maintenance.

Open Space Fund - The Town has elected to report this fund as a major fund. It is a special revenue fund type which is funded by ½ cent sales and use tax and impact fees. The expenditures are for acquisition and maintenance costs of open space.

The other governmental funds (nonmajor funds) are Special Revenue Funds (Conservation Trust, Park, Emergency Reserve, Public Works, and Tri-Area Drainage Funds) and are established to account for revenues derived from specific taxes or other earmarked revenue sources which finance specific activities as required by law or administrative action.

Proprietary Funds (major funds) focus on the determination of the changes in net assets, financial position and cash flows and are classified as enterprise funds.

Enterprise Funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Town's enterprise funds are:

Water Fund - To account for user charges and the expenses for operating, financing and maintaining the Town's water system.

Electric Fund - To account for user charges and the expenses for operating, financing and maintaining the Town's electric system.

The Town's fiduciary fund is the Oil Royalty Fund. This fund collects revenues from various energy company sources and disburses scholarship funds and makes donations to local organizations for the benefit of the citizens of the Town of Frederick.

Basis of Presentation

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with a brief explanation to better identify the relationship between the Government-wide statements and the statements for governmental funds.

TOWN OF FREDERICK  
Notes to Financial Statements  
December 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Town and for each function or program of the Town's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

Fund Financial Statements - Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Town finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Governmental-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Town available means expected to be received within sixty days of fiscal year-end.

TOWN OF FREDERICK  
Notes to Financial Statements  
December 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

Nonexchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property sales, highway users and cigarette taxes collected after year-end and franchise taxes.

Deferred Revenue - Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Town before it has a legal claim to them, as when grant moneys are received prior to meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. The principal operating revenues of the water and electric funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Budgets and Budgetary Accounting

An annual budget and appropriation resolution is adopted by the Town Board in accordance with the State Statutes. The budget is prepared on a basis consistent with generally accepted accounting principles for all funds except the proprietary funds which budgets tap fees as revenues and principal payments and capital outlay as expenditures.

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or about October 15, the Town staff submits to the Town Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at regular Town Board meetings to obtain taxpayer comments.

TOWN OF FREDERICK  
Notes to Financial Statements  
December 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting (Continued)

3. Prior to December 15, the budget is legally adopted by the Town Board.
4. Appropriations lapse at year-end.

Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Board of Directors throughout the year. The fund level of classification is the level of classification at which expenditures may not legally exceed appropriations. Following is a summary of the original budget, total revisions and revised budget for those funds with amended budgets in fiscal year 2008:

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>
<u>Government Funds:</u>			
General Fund	5,095,801	-	5,095,801
Street & Alley	7,303,265	-	7,303,265
Park	1,522,305	-	1,522,305
Public Works	331,205	-	331,205
Open Space	3,082,200	-	3,082,200
Conservation Trust	171,207	-	171,207
Emergency Reserve	331,861	-	331,861
Tri-Area Drainage	404,552	-	404,552
<u>Business-Type Funds:</u>			
Water Fund	11,598,933	-	11,598,933
Electric Fund	13,872,577	-	13,872,577
<u>Fiduciary Fund</u>			
Oil Royalty Trust	991,163	-	991,163
<u>Total Funds</u>	<u>44,705,069</u>	<u>-</u>	<u>44,705,069</u>

Cash and Cash Equivalents

Cash, cash equivalents and temporary investments include cash on hand, demand deposits, certificates of deposit and participation in local government investment pools. All cash equivalents have an original maturity date of less than three months.

Cash balances from different funds are combined and invested to the extent possible in local government investment pools.

Capital Assets

Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property and equipment of the Town of Frederick is depreciated using the straight line method over the following estimated useful lives.

TOWN OF FREDERICK  
Notes to Financial Statements  
December 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land	N/A	N/A
Water Rights/System Enhancement Fee	N/A	N/A
Buildings	20-50 years	20-50 years
Improvements Other Buildings	20-50 years	20-50 years
Streets	20-40 years	N/A
Utility Systems	N/A	30-50 years
Equipment	5-20 years	7-10 years

Accrued Compensated Absences Payable

In accordance with the provisions of the Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*, vested or accumulated vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation pay that are not expected to be liquidated with expendable available financial resources are reported on the government-wide financial statements. The Town had a liability for accrued compensated absences in the amount of \$218,385 at December 31, 2008. Compensated absences are reported in governmental funds only if they have matured.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the governmental-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments and the noncurrent portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payment made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Deferred Charges

Debt issuance costs related to the 2006 Sales and Use Tax Bond have been capitalized on the government-wide financial statements and are being amortized over the life of the bond using the effective interest method. Amortization of such fees totaled \$12,059 for the year ended December 31, 2008.

Fund Balance Reserves/Designations

The Town reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. The fund balance designations are for subsequent years expenditures as shown in the 2008 budget.

TOWN OF FREDERICK  
Notes to Financial Statements  
December 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are liabilities imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulation of other governments. If applicable, the Town applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating Revenues and Expense

Operating revenues are those revenues that are generated directly from the primary activity of the propriety funds. For the Town, these revenues are sales from water and electric funds. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Contribution of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources to capital acquisition and construction.

Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Town Board of Trustees and that are either unusual in nature or infrequent in occurrence.

Note 2 - Cash and Investments

Deposits

Colorado state statutes govern the entity's deposit of cash. For deposits in excess of \$250,000, Colorado Revised Statutes require the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act (PDPA) requires the state regulators to certify eligible depositories for public deposit. The Act requires the eligible depositories with public deposits in excess of the federal insurance levels to create a single institutional collateral pool of obligations of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of their uninsured deposits.

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which Special Districts may invest which include:

TOWN OF FREDERICK  
Notes to Financial Statements  
December 31, 2008

Note 2 - Cash and Investments (Continued)

Investments (Continued)

- Certificates of deposit with an original maturity in excess of three months
- Obligations of the United States and certain U.S. Government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

The following is the Town's cash and investments at December 31, 2008:

	<u>Book Balance</u>	<u>Bank Balance</u>
<i>Cash Deposits</i>		
Insured Deposits	250,000	250,000
Collateralized Deposits	322,685	498,807
	<hr/>	<hr/>
Total Cash in Bank	572,685	748,807
<i>Uncategorized:</i>		
Cash on Hand	450	
Cash with County Treasurer	73,101	
COLOTRUST/CSAFE	11,343,062	
	<hr/>	
Total Cash	11,989,298	
	<hr/>	
	<u>Cost</u>	<u>Market Value</u>
<i>U.S. Instrumentalities</i>		
FHLB	3,147,620	3,239,232
FFCB	2,124,974	2,189,787
FHLMC	1,496,655	1,511,284
FNMA	1,006,945	1,024,452
Treasury Notes	1,010,703	1,024,336
GE Capital Note	494,254	499,684
	<hr/>	<hr/>
<u>Total</u>	9,281,151	9,488,775

Interest Rate Risk - The District does not have a formal written investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the District's deposit may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2008, \$498,807 of the District's bank balance of \$748,807 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through the Public Deposit Insurance Act.

At December 31, 2008, the Town had invested \$11,343,062 in CSAFE and Colorado Local Government Liquid Asset Trust (the "Trusts"), local government investment pools. As an investment pool, the Trusts operate under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. The Trusts are exempt from registration with the Securities and Exchange Commission. Both Trusts are rated AAAM by Standard and Poor's and may invest in U.S. Treasury Securities, repurchase agreements collateralized by U.S. Treasury Securities and the highest rated commercial paper.



TOWN OF FREDERICK  
Notes to Financial Statements  
December 31, 2008

**Note 3 - Receivables**

Receivables at December 31, 2008, consist of the following:

<u>Receivables</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary-type Activities</u>	<u>Total</u>
Taxes	1,003,408	275,765	-	1,279,173
Accounts	-	712,723	-	712,723
Intergovernmental	167,061	-	-	167,061
Other	30,405	553	4,330	35,288
<u>Total</u>	<u>1,200,874</u>	<u>989,041</u>	<u>4,330</u>	<u>2,194,245</u>

**Note 4 - Capital Assets**

Capital asset activity for the fiscal year ended December 31, 2008, was as follows:

	<u>Capital Assets 12/31/07</u>	<u>Additions/ Adjustments</u>	<u>Deletions/ Adjustments</u>	<u>Capital Assets 12/31/08</u>
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	2,584,217	-	-	2,584,217
Total Capital Assets, Not Being Depreciated	2,584,217	-	-	2,584,217
Capital Assets, Being Depreciated				
Buildings	3,139,302	-	-	3,139,302
Improvements Other Than Buildings	5,547,508	468,456	-	6,015,964
Equipment	2,184,400	302,540	(30,317)	2,456,623
Streets	30,427,208	1,787,589	-	32,214,797
Total Capital Assets, Being Depreciated	41,298,418	2,558,585	(30,317)	43,826,686
Less Accumulated Depreciation for:				
Buildings	(399,299)	(66,548)	-	(465,847)
Improvements Other Than Buildings	(610,076)	(142,406)	-	(752,482)
Equipment	(909,295)	(197,961)	21,222	(1,086,034)
Streets	(9,431,421)	(1,552,338)	-	(10,983,759)
Total Accumulated Depreciation	(11,350,091)	(1,959,253)	21,222	(13,288,122)
Total Capital Assets, Being Depreciated, Net	29,948,327	599,332	(9,095)	30,538,564
Governmental Activities Capital Assets, Net	<u>32,532,544</u>	<u>599,332</u>	<u>(9,095)</u>	<u>33,122,781</u>

Depreciation for governmental activities capital assets have been allocated to the various activities as follows:

General Government	75,340
Public Safety	77,260
Public Works	<u>1,806,653</u>
Depreciation Expense - Governmental Activities	<u>1,959,253</u>

TOWN OF FREDERICK  
Notes to Financial Statements  
December 31, 2008

Note 4 - Capital Assets (Continued)

**Business-Type Activities**

	Capital Assets <u>12/31/07</u>	Additions/ Adjustments	Deletions/ Adjustments	Capital Assets <u>12/31/08</u>
Capital Assets, Not Being Depreciated:				
Land	25,000	-	-	25,000
Water Rights	32,943,548	20,000	-	32,963,548
System Enhancement Fee	1,019,000	-	-	1,019,000
Construction in Progress	84,000	72,270	-	156,270
Total Capital Assets, Not Being Depreciated	<u>34,071,548</u>	<u>92,270</u>	<u>-</u>	<u>34,163,818</u>
Capital Assets, Being Depreciated				
Building	150,000	-	-	150,000
Utility System	15,401,812	933,448	(29,926)	16,305,334
Equipment	156,942	14,964	-	171,906
Total Capital Assets, Being Depreciated	<u>15,708,754</u>	<u>948,412</u>	<u>(29,926)</u>	<u>16,627,240</u>
Less Accumulated Depreciation for:				
Building	(51,576)	(3,751)	-	(55,327)
Utility System	(3,374,350)	(405,642)	29,926	(3,750,066)
Equipment	(62,207)	(15,292)	-	(77,499)
Total Accumulated Depreciation	<u>(3,488,133)</u>	<u>(424,685)</u>	<u>29,926</u>	<u>(3,882,892)</u>
Total Capital Assets, Being Depreciated, Net	<u>12,220,621</u>	<u>523,727</u>	<u>-</u>	<u>12,744,348</u>
Business-type Activities Capital Assets, Net	<u>46,292,169</u>	<u>615,997</u>	<u>-</u>	<u>46,908,166</u>

Note 5 - Long-Term Debt

The following is a summary of changes in Long-Term Debt of the Town's Business-Type Activities for the period ended December 31, 2008:

	Balance <u>12/31/07</u>	Additions	Retirements	Balance <u>12/31/08</u>	Due Within <u>One Year</u>
\$479,000, 1978 GO Water System Improvement bond due in annual installments of \$17,000 in 2007, increasing to \$28,000 in 2018; interest at 5%. Funded by the Water Fund.	241,000	-	17,000	224,000	18,000
\$680,000, 2003 GO Water Refunding Bonds. Final installments of \$145,000 due in 2008; interest at 2.85%. Funded by the Water Fund.	145,000	-	145,000	-	-

TOWN OF FREDERICK  
Notes to Financial Statements  
December 31, 2008

Note 5 - Long Term Debt (Continued)

	<u>Balance</u> <u>12/31/07</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/08</u>	<u>Due Within</u> <u>One Year</u>
\$1,057,492, 2003 Water Revenue Note Payable due in quarterly installments of \$20,117 principal and interest, at 4.5%, through January 1, 2024. Funded by the Water Fund.	<u>914,268</u>	<u>-</u>	<u>39,994</u>	<u>874,274</u>	<u>41,824</u>
<b>Total Business-Type Activities Debt</b>	<u>1,300,268</u>	<u>-</u>	<u>201,994</u>	<u>1,098,274</u>	<u>59,824</u>

The following is a summary of changes in Long-Term Debt of the Town's Governmental Activities for the period ended December 31, 2008:

	<u>Balance</u> <u>12/31/07</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/08</u>	<u>Due Within</u> <u>One Year</u>
Sixty month lease with Wells Fargo Brokerage Services, LLC dated July 1, 2005, to acquire golf course equipment costing \$154,000. The lease requires semi-annual payments of \$17,349 principal and interest, at 4.45%, through July 2, 2010. Funded by the Public Works Fund.	81,242	-	31,428	49,814	32,842
2006 Sales and Use Tax Revenue Bonds due in annual installments of \$175,000 in 2008 increasing to \$360,000 in 2026; interest at 4.25%. Funded by the Street and Alley Fund.	4,900,000	-	180,000	4,720,000	175,000
Sixty month lease with John Deere Credit Inc. dated January 20, 2008, to acquire a motor grader and loader. The lease requires quarterly payments \$16,695 principal and interest at 3.95%, through December 20, 2012. Funded by the Street and Alley Fund.	-	302,540	56,641	245,899	57,887
Accrued Compensated Absences	<u>212,127</u>	<u>6,258</u>	<u>-</u>	<u>218,385</u>	<u>218,385</u>
<b>Total Governmental Activities Debt</b>	<u>5,193,369</u>	<u>308,798</u>	<u>268,069</u>	<u>5,234,098</u>	<u>484,114</u>

TOWN OF FREDERICK  
Notes to Financial Statements  
December 31, 2008

Note 5 - Long Term Debt (Continued)

The following is the book value of capital assets acquired through capital lease at December 31, 2008:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Assets:		
Machinery and Equipment	456,540	-
Less: Accumulated Depreciation	<u>(61,023)</u>	<u>-</u>
<b>Total</b>	<b><u>395,517</u></b>	<b><u>-</u></b>

The annual requirements to amortize all debt outstanding as of December 31, 2008 as follows:

Year Ending December 31	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	265,729	211,945	59,824	49,843
2010	277,187	200,702	62,739	47,029
2011	262,637	189,401	64,740	44,077
2012	265,158	178,381	68,834	41,034
2013	215,000	168,260	72,023	10,795
2014-2018	1,210,000	685,150	411,622	135,166
2019-2023	1,475,000	41,400	358,492	43,846
2024-2026	1,045,000	90,777	-	-
<b>Total</b>	<b><u>5,015,711</u></b>	<b><u>1,766,016</u></b>	<b><u>1,098,274</u></b>	<b><u>371,790</u></b>

Note 6 - Interfund Transfers

Interfund transfers for the year ended December 31, 2008 were as follows:

<u>Interfund Transfers</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Governmental Funds:</b>		
Major Funds:		
General Fund	1,338,387	-
Street & Alley Fund	-	463,459
Open Space Fund	-	1,339
Total Major Funds	<u>1,338,387</u>	<u>464,798</u>
Nonmajor Funds	<u>43,077</u>	<u>54,800</u>
<b>Total Governmental Funds</b>	<b><u>1,381,464</u></b>	<b><u>519,598</u></b>
<b>Proprietary Funds:</b>		
Major Funds:		
Water Fund	-	493,995
Electric Fund	56,250	424,121
<b>Total Proprietary Funds</b>	<b><u>56,250</u></b>	<b><u>918,116</u></b>
<b>Total Transfers</b>	<b><u>1,437,714</u></b>	<b><u>1,437,714</u></b>

TOWN OF FREDERICK  
Notes to Financial Statements  
December 31, 2008

Note 6 - Interfund Transfers (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts collected for debt service to the debt service fund as debt service payments become due, and (3) use unrestricted revenues to finance various programs accounted for in other funds in accordance with budgetary authorizations. Contributed capital between the governmental funds and proprietary fund is shown within the transfer line for financial statement presentation.

Note 7 - Joint Ventures

Condensed financial information for the joint ventures in which the Town of Frederick has an interest are as follows:

Weld 911 Emergency Telephone Service Authority Board

At December 31, 2007, (date of latest available information), Weld 911 had assets of \$4,192,920 and liabilities of \$4,192,920. Total revenues for 2007 were \$1,569,668 and total expenses were \$912,144 resulting in an excess of revenues over expenses (increasing the liability accounts) by \$657,524. The amount of the Town's share of these amounts is based upon the percentage of the county wide telephone accesses to be served.

Note 8 - Reserved/Designated Fund Balance

The following is a summary of the purposes of fund balance reservations in the various funds:

<u>Fund</u>	<u>Purpose</u>
Emergency Reserve	Reserved for emergencies as defined under Amendment One in the amount of \$173,520.
Public Works	Designated for future art projects in the amount of \$106,131.
Oil Royalty Trust	Designated for capital improvements and donations to organizations whose activities benefit the well-being of the citizens of the Town of Frederick in the amount of \$988,656.

Note 9 - TABOR Compliance

In November 1992, Colorado voter passed an amendment (Amendment One) to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in construction valuation. Fiscal year spending, as defined by the federal funds, gifts, property sales, fund transfers, damage awards, and fund reserve(balance). The Amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the Town under specified voting requirements by the entire electorate.

The amendment also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by the amendment, excludes economic conditions, revenue shortfalls, or salary of fringe benefit increase. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The Town has reserved \$173,520 for this purpose.

TOWN OF FREDERICK  
Notes to Financial Statements  
December 31, 2008

Note 9 - TABOR Compliance (Continued)

On November 7, 1995, the voting citizens of the Town of Frederick authorized the Town (retroactive to January 1, 1994) to retain all of the revenues from all sources generated during 1994 and subsequent years, and spend the same as a voter-approved revenue change as an exception to limits which would otherwise apply for each of said years. This effectively removed all revenue and spending limits imposed by TABOR.

**OTHER SUPPLEMENTARY INFORMATION  
COMBINING, INDIVIDUAL FUND  
FINANCIAL STATEMENTS**

These financial statements present more detailed information, such as budget and actual comparisons for the individual funds in a format that segregates information by fund type.

TOWN OF FREDERICK  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2008

<u>ASSETS</u>	<u>Conservative Trust</u>	<u>Emergency Reserve</u>	<u>Public Works</u>	<u>Tri-Area Drainage</u>	<u>Park</u>	<u>Total Nonmajor Governmental Funds</u>
Cash and Cash Equivalents	171,582	323,108	161,493	320,817	1,114,020	2,091,020
Accounts Receivable	-	-	-	-	301	301
<u>Total Assets</u>	<u>171,582</u>	<u>323,108</u>	<u>161,493</u>	<u>320,817</u>	<u>1,114,321</u>	<u>2,091,321</u>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	-	-	-	-	3,113	3,113
<u>Total Liabilities</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,113</u>	<u>3,113</u>
<u>Fund Balances</u>						
Reserved for Emergencies	-	323,108	-	-	-	323,108
Reserved for Art Projects	-	-	106,131	-	-	106,131
Unreserved						
Designated For Subsequent Years Expenditures	171,582	-	55,362	320,817	1,111,208	1,658,969
<u>Total Fund Balances</u>	<u>171,582</u>	<u>323,108</u>	<u>161,493</u>	<u>320,817</u>	<u>1,111,208</u>	<u>2,088,208</u>
<u>Total Liabilities and Fund Balances</u>	<u>171,582</u>	<u>323,108</u>	<u>161,493</u>	<u>320,817</u>	<u>1,114,321</u>	<u>2,091,321</u>

See accompanying Independent Auditors' Report.

Exhibit 12



TOWN OF FREDERICK  
Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended December 31, 2008

	<u>Conservation Trust</u>	<u>Emergency Reserve</u>	<u>Public Works</u>	<u>Tri-Area Drainage</u>	<u>Park</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Revenues</u>						
Taxes and Impact Fees	-	-	82,500	-	55,000	137,500
Intergovernmental	37,900	-	-	-	-	37,900
Fees	-	-	-	22,946	20,910	43,856
Investment Earnings	3,596	7,541	3,769	8,878	29,953	53,737
Other	-	-	14,455	75,070	1,029	90,554
<u>Total Revenues</u>	<u>41,496</u>	<u>7,541</u>	<u>100,724</u>	<u>106,894</u>	<u>106,892</u>	<u>363,547</u>
<u>Expenditures</u>						
Current						
Maintenance	-	-	3,321	-	63,986	67,307
Debt Service						
Principal	-	-	31,428	-	-	31,428
Interest	-	-	3,270	-	-	3,270
Capital Outlay	-	-	-	100,000	318,230	418,230
<u>Total Expenditures</u>	<u>-</u>	<u>-</u>	<u>38,019</u>	<u>100,000</u>	<u>382,216</u>	<u>520,235</u>
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	<u>41,496</u>	<u>7,541</u>	<u>62,705</u>	<u>6,894</u>	<u>(275,324)</u>	<u>(156,688)</u>
<u>Other Financing Sources (Uses)</u>						
Transfers In(Out)	-	25,000	(35,723)	(1,000)	-	(11,723)
<u>Net Change in Fund Balances</u>	<u>41,496</u>	<u>32,541</u>	<u>26,982</u>	<u>5,894</u>	<u>(275,324)</u>	<u>(168,411)</u>
<u>Fund Balances at Beginning of Period</u>	<u>130,086</u>	<u>290,567</u>	<u>134,511</u>	<u>314,923</u>	<u>1,386,532</u>	<u>2,256,619</u>
<u>Fund Balances at End of Period</u>	<u>171,582</u>	<u>323,108</u>	<u>161,493</u>	<u>320,817</u>	<u>1,111,208</u>	<u>2,088,208</u>

See accompanying Independent Auditors' Report.

TOWN OF FREDERICK  
Conservation Trust Fund  
Schedule of Revenues, Expenditures, and Changes in  
Fund Balances - Budget and Actual  
Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
State Lottery	34,500	34,500	37,900	3,400
Investment Earnings	6,500	6,500	3,596	(2,904)
<u>Total Revenues</u>	<u>41,000</u>	<u>41,000</u>	<u>41,496</u>	<u>496</u>
<u>Expenditures</u>				
Capital Outlay			-	65,000
Park Improvements	65,000	65,000	-	106,207
Contingency	106,207	106,207	-	
<u>Total Expenditures</u>	<u>171,207</u>	<u>171,207</u>	<u>-</u>	<u>171,207</u>
<u>Excess (Deficiency) of Revenues</u>				
<u>Over Expenditures</u>	<u>(130,207)</u>	<u>(130,207)</u>	41,496	<u>171,703</u>
<u>Fund Balance at Beginning of Period</u>			<u>130,086</u>	
<u>Fund Balance at End of Period</u>			<u>171,582</u>	

See accompanying Independent Auditors' Report.

Schedule 1

TOWN OF FREDERICK  
Emergency Reserve Fund  
Schedule of Revenues, Expenditures, and Changes in  
Fund Balances - Budget and Actual  
Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Investment Earnings	15,000	15,000	7,541	(7,459)
<u>Expenditures</u>				
Contingency	331,861	331,861	-	331,861
<u>Excess (Deficiency) of Revenues</u> <u>Over Expenditures</u>	(316,861)	(316,861)	7,541	324,402
<u>Other Financing Sources</u>				
Transfers In	25,000	25,000	25,000	-
<u>Net Change in Fund Balance</u>	<u>(291,861)</u>	<u>(291,861)</u>	32,541	<u>324,402</u>
<u>Fund Balance at Beginning of Period</u>			290,567	
<u>Fund Balance at End of Period</u>			<u>323,108</u>	

See accompanying Independent Auditors' Report.

Schedule 2

TOWN OF FREDERICK  
Public Works Fund  
Schedule of Revenues, Expenditures, and Changes in  
Fund Balances - Budget and Actual  
Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes and Impact Fees	165,000	165,000	82,500	(82,500)
Investment Earnings	1,500	15,000	3,769	(11,231)
Contributions and Grants	2,000	2,000	4,455	2,455
Miscellaneous	12,000	12,000	10,000	(2,000)
<u>Total Revenues</u>	<u>180,500</u>	<u>194,000</u>	<u>100,724</u>	<u>(93,276)</u>
<u>Expenditures</u>				
Public Works	55,000	55,000	3,321	51,679
Debt Service				
Principal	31,428	31,428	31,428	-
Interest	3,272	3,272	3,270	2
Contingency	166,505	166,505	-	166,505
<u>Total Expenditures</u>	<u>256,205</u>	<u>256,205</u>	<u>38,019</u>	<u>218,186</u>
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	<u>(75,705)</u>	<u>(62,205)</u>	<u>62,705</u>	<u>124,910</u>
<u>Other Financing Sources</u>				
Transfers In(Out)	<u>(40,500)</u>	<u>(40,500)</u>	<u>(35,723)</u>	<u>4,777</u>
<u>Net Change in Fund Balance</u>	<u>(116,205)</u>	<u>(102,705)</u>	<u>26,982</u>	<u>129,687</u>
<u>Fund Balance at Beginning of Period</u>			<u>134,511</u>	
<u>Fund Balance at End of Period</u>			<u>161,493</u>	

See accompanying Independent Auditors' Report.

TOWN OF FREDERICK  
Tri-Area Drainage Fund  
Schedule of Revenues, Expenditures, and Changes in  
Fund Balances - Budget and Actual  
Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Drainage Fees	70,000	70,000	22,946	(47,054)
Investment Earnings	14,500	14,500	8,878	(5,622)
Other	-	-	75,070	75,070
<u>Total Revenues</u>	<u>84,500</u>	<u>84,500</u>	<u>106,894</u>	<u>22,394</u>
<u>Expenditures</u>				
Repairs & Maintenance	4,000	4,000	-	4,000
Capital Outlay				
Drainage Improvements	140,000	140,000	100,000	40,000
Contingency	260,552	260,552	-	260,552
<u>Total Expenditures</u>	<u>404,552</u>	<u>404,552</u>	<u>100,000</u>	<u>304,552</u>
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	<u>(320,052)</u>	<u>(320,052)</u>	<u>6,894</u>	<u>326,946</u>
<u>Other Financial Sources (Uses)</u>				
Transfer Out	-	-	(1,000)	(1,000)
<u>Net Changes in Fund Balance</u>	<u>(320,052)</u>	<u>(320,052)</u>	<u>5,894</u>	<u>325,946</u>
<u>Fund Balance at Beginning of Period</u>			<u>314,923</u>	
<u>Fund Balance at End of Period</u>			<u>320,817</u>	

See accompanying Independent Auditors' Report.

TOWN OF FREDERICK  
Park Fund  
Schedule of Revenues, Expenditures, and Changes in  
Fund Balances - Budget and Actual  
Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Park Impact Fees	110,000	110,000	55,000	(55,000)
Golf Fees	24,000	24,000	20,910	(3,090)
Investment Earnings	60,000	60,000	29,953	(30,047)
Other	-	-	1,029	1,029
<u>Total Revenues</u>	<u>194,000</u>	<u>194,000</u>	<u>106,892</u>	<u>(87,108)</u>
<u>Expenditures</u>				
Repairs & Maintenance	47,000	47,000	63,986	(16,986)
Capital Outlay				
Park Improvements	900,000	900,000	318,230	581,770
Contingency	575,305	575,305	-	575,305
<u>Total Expenditures</u>	<u>1,522,305</u>	<u>1,522,305</u>	<u>382,216</u>	<u>1,140,089</u>
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	<u>(1,328,305)</u>	<u>(1,328,305)</u>	<u>(275,324)</u>	<u>1,052,981</u>
<u>Fund Balance at Beginning of Period</u>			<u>1,386,532</u>	
<u>Fund Balance at End of Period</u>			<u>1,111,208</u>	

See accompanying Independent Auditors' Report.

TOWN OF FREDERICK  
Water Fund  
Schedule of Revenues, Expenses, and Changes in Net Assets -  
Budget and Actual (Non GAAP Basis)  
Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Operating Revenues</u>				
Charges for Services	1,602,000	1,602,000	1,554,706	(47,294)
Miscellaneous	61,650	61,650	21,916	(39,734)
<u>Total Operating Revenues</u>	<u>1,663,650</u>	<u>1,663,650</u>	<u>1,576,622</u>	<u>(87,028)</u>
<u>Operating Expenses</u>				
Administration	31,750	31,750	15,031	16,719
Operations	694,200	694,200	608,041	86,159
Depreciation	-	-	276,559	(276,559)
Contingency	6,854,262	6,854,262	-	6,854,262
<u>Total Operating Expenses</u>	<u>7,580,212</u>	<u>7,580,212</u>	<u>899,631</u>	<u>6,680,581</u>
<u>Operating Income (Loss)</u>	<u>(5,916,562)</u>	<u>(5,916,562)</u>	<u>676,991</u>	<u>6,593,553</u>
<u>Nonoperating Revenues (Expenses)</u>				
Capital Contributions	2,535,900	2,535,900	234,950	(2,300,950)
Property Taxes	232,809	232,809	232,438	(371)
Investment Earnings	332,600	332,600	168,539	(164,061)
County Treasurer Fees	(2,316)	(2,316)	(2,325)	(9)
Interest Expense	(58,408)	(58,408)	(60,713)	(2,305)
Principal Paid	(200,244)	(200,244)	(201,994)	(1,750)
Capital Outlay	(3,260,000)	(3,260,000)	(645,924)	2,614,076
<u>Total Nonoperating Revenues (Expenses)</u>	<u>(419,659)</u>	<u>(419,659)</u>	<u>(275,029)</u>	<u>144,630</u>
<u>Income (Loss) Before Transfers</u>	<u>(6,336,221)</u>	<u>(6,336,221)</u>	<u>401,962</u>	<u>6,738,183</u>
<u>Transfers Out</u>	<u>(497,753)</u>	<u>(497,753)</u>	<u>(493,995)</u>	<u>3,758</u>
<u>Net Income (Loss) Budgetary Basis</u>	<u>(6,833,974)</u>	<u>(6,833,974)</u>	<u>(92,033)</u>	<u>6,741,941</u>
<u>Reconciliation to a GAAP Basis</u>				
Capital Outlay			645,924	
Principal Paid			201,994	
<u>Change in Net Assets</u>			<u>755,885</u>	
<u>Net Assets at Beginning of Period</u>			<u>47,944,039</u>	
<u>Net Assets at End of Period</u>			<u>48,699,924</u>	

See accompanying Independent Auditors' Report.

Schedule 6

TOWN OF FREDERICK  
Frederick, Colorado  
Electric Fund  
Schedule of Revenues, Expenses, and Changes in Net Assets -  
Budget and Actual (Non GAAP Basis)  
Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Operating Revenues</u>				
Charges for Services	7,404,000	7,404,000	7,218,548	(185,452)
Miscellaneous	3,000	3,000	37,922	34,922
<u>Total Operating Revenues</u>	<u>7,407,000</u>	<u>7,407,000</u>	<u>7,256,470</u>	<u>(150,530)</u>
<u>Operating Expenses</u>				
Administration	13,150	13,150	2,655	10,495
Operations	6,769,000	6,769,000	5,798,375	970,625
Depreciation	-	-	148,126	(148,126)
Contingency	5,164,148	5,164,148	-	5,164,148
<u>Total Operating Expenses</u>	<u>11,946,298</u>	<u>11,946,298</u>	<u>5,949,156</u>	<u>5,997,142</u>
<u>Operating Income (Loss)</u>	<u>(4,539,298)</u>	<u>(4,539,298)</u>	<u>1,307,314</u>	<u>5,846,612</u>
<u>Nonoperating Revenues (Expenses)</u>				
Capital Contributions	548,250	548,250	61,723	(486,527)
Investment Earnings	279,000	279,000	188,255	(90,745)
Capital Outlay	(1,495,000)	(1,495,000)	(394,758)	1,100,242
<u>Total Nonoperating Revenues (Expenses)</u>	<u>(667,750)</u>	<u>(667,750)</u>	<u>(144,780)</u>	<u>522,970</u>
<u>Income (Loss) Before Operating Transfers</u>	<u>(5,207,048)</u>	<u>(5,207,048)</u>	<u>1,162,534</u>	<u>6,369,582</u>
<u>Transfers In (Out)</u>	<u>(431,279)</u>	<u>(431,279)</u>	<u>(367,871)</u>	<u>63,408</u>
<u>Net Income (Loss) Budgetary Basis</u>	<u>(5,638,327)</u>	<u>(5,638,327)</u>	<u>794,663</u>	<u>6,432,990</u>
<u>Reconciliation to a GAAP Basis</u>				
Capital Outlay			394,758	
<u>Change in Net Assets</u>			1,189,421	
<u>Net Assets at Beginning of Period</u>			9,020,935	
<u>Net Assets at End of Period</u>			<u>10,210,356</u>	

See accompanying Independent Auditors' Report.

Schedule 7



TOWN OF FREDERICK  
Oil Royalty Trust Fund  
Schedule of Changes in Fiduciary Net Assets -  
Budget and Actual  
Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Additions</u>				
Oil Royalties	100,000	100,000	97,029	(2,971)
Use Permits	-	-	2,000	2,000
Severance Tax	10,000	10,000	6,108	(3,892)
Earnings on Investments	45,000	45,000	22,648	(22,352)
<u>Total Additions</u>	<u>155,000</u>	<u>155,000</u>	<u>127,785</u>	<u>(27,215)</u>
<u>Deductions</u>				
Scholarships	8,000	8,000	6,000	2,000
Donations	18,000	18,000	15,715	2,285
Reserve	965,163	965,163	-	965,163
<u>Total Deductions</u>	<u>991,163</u>	<u>991,163</u>	<u>21,715</u>	<u>969,448</u>
<u>Change in Net Assets</u>	<u>(836,163)</u>	<u>(836,163)</u>	<u>106,070</u>	<u>942,233</u>
<u>Net Assets at Beginning of Period</u>			<u>882,586</u>	
<u>Net Assets at End of Period</u>			<u>988,656</u>	

See accompanying Independent Auditors' Report.

The public report burden for this information collection is estimated to average 380 hours annually.

**LOCAL HIGHWAY FINANCE REPORT**City or County:  
Town of Frederick  
YEAR ENDING :  
December 2008This Information From The Records Of (example - City of \_ or County of \_) Prepared By: Marcia Lierman  
Phone: (303) 833-2388**I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE**

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Total receipts available				
2. Minus amount used for collection expenses				
3. Minus amount used for nonhighway purposes				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes				

**II. RECEIPTS FOR ROAD AND STREET PURPOSES**

ITEM	AMOUNT
<b>A. Receipts from local sources:</b>	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	
3. Other local imposts (from page 2)	1,073,309
4. Miscellaneous local receipts (from page 2)	500,663
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	
d. Total (a. + b. + c.)	0
7. Total (1 through 6)	1,573,972
<b>B. Private Contributions</b>	
<b>C. Receipts from State government</b> (from page 2)	818,562
<b>D. Receipts from Federal Government</b> (from page 2)	0
<b>E. Total receipts (A.7 + B + C + D)</b>	2,392,534

**III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES**

ITEM	AMOUNT
<b>A. Local highway disbursements:</b>	
1. Capital outlay (from page 2)	1,990,129
2. Maintenance:	236,947
3. Road and street services:	
a. Traffic control operations	62,326
b. Snow and ice removal	41,685
c. Other	527,613
d. Total (a. through c.)	631,624
4. General administration & miscellaneous	
5. Highway law enforcement and safety	
6. Total (1 through 5)	2,858,700
<b>B. Debt service on local obligations:</b>	
1. Bonds:	
a. Interest	218,985
b. Redemption	236,641
c. Total (a. + b.)	455,626
2. Notes:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
3. Total (1.c + 2.c)	455,626
<b>C. Payments to State for highways</b>	
<b>D. Payments to toll facilities</b>	
<b>E. Total disbursements (A.6 + B.3 + C + D)</b>	3,314,326

**IV. LOCAL HIGHWAY DEBT STATUS**  
(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
<b>A. Bonds (Total)</b>				0
1. Bonds (Refunding Portion)				
<b>B. Notes (Total)</b>				0

**V. LOCAL ROAD AND STREET FUND BALANCE**

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	2,794,642	2,392,534	3,314,326	1,872,850	0

Notes and Comments:

<b>LOCAL HIGHWAY FINANCE REPORT</b>		STATE: Colorado	
		YEAR ENDING (mm/yy): December 2008	

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments		a. Interest on investments	64,998
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes	468,026	c. Parking Garage Fees	
2. Infrastructure & Impact Fees	90,953	d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	514,330	g. Other Misc. Receipts	435,665
6. Total (1. through 5.)	1,073,309	h. Other	
c. Total (a. + b.)	1,073,309	i. Total (a. through h.)	500,663
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	280,607	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	37,955	d. Federal Transit Admin	
d. Other (Specify)	500,000	e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	537,955	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	818,562	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL			
	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs			0
b. Engineering Costs		89,941	89,941
c. Construction:			
(1). New Facilities		410,932	410,932
(2). Capacity Improvements		1,489,256	1,489,256
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	1,900,188	1,900,188
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	1,990,129	1,990,129
			(Carry forward to page 1)

<b>Notes and Comments:</b>			
Specific Ownership Tax	101,223	E&MIAP Grant	500,000
County Road & Bridge Tax	110,567	Line C.3.d	500,000
Proceeds from Capital Lease	302,540		
Line A.3.b.5.	514,330		
Contributions	410,932		
Miscellaneous	24,733		
Total Line A.4.g.	435,665		

FORM FHWA-536 (Rev.1-05)

PREVIOUS EDITIONS OBSOLETE

See accompanying Independent Auditors' Report.